



**AUDIT COMMITTEE**

**30<sup>TH</sup> JUNE 2015**

**AGENDA ITEM (11)**

**ANNUAL TREASURY MANAGEMENT REVIEW 2014/15, INCLUDING PERFORMANCE AGAINST PRUDENTIAL INDICATORS**

<b>Accountable Member</b>	Councillor Lynden Stowe Leader of the Council
<b>Accountable Officer</b>	Jenny Poole Head of GO Shared Services 01285 623313 jenny.poole@cotswold.gov.uk

<b>Purpose of Report</b>	For Members to receive and discuss the report and to provide full Council with comments for consideration.
<b>Recommendations</b>	<b>(a) That the Committee receives and discusses the Annual Treasury Management Review for 2014/15, and the associated updated Prudential Indicators;</b> <b>(b) that the Committee agrees any comments to be passed to full Council (for when it considers this item).</b>
<b>Reason(s) for Recommendation(s)</b>	The revised CIPFA Treasury Management Code of Practice, adopted by Council on 25 <sup>th</sup> February 2010 requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. It is also a requirement of the Code to report during the year on activities undertaken and on variations from agreed policies/practices.

<b>Ward(s) Affected</b>	N/A
<b>Key Decision</b>	No
<b>Recommendation to Council</b>	Yes

<b>Financial Implications</b>	None
<b>Legal and Human Rights Implications</b>	None
<b>Environmental and Sustainability Implications</b>	None
<b>Human Resource Implications</b>	None

<b>Key Risks</b>	<p>There are risks of financial institutions failing given the current economic conditions. However, the risks are mitigated through application of the Council's Treasury Management Strategy.</p> <p>There are risks of interest rates remaining low over the medium term, which impact upon the Council's ability to generate investment income. These risks are routinely considered in the Council's Treasury Management Strategy, the Medium Term Financial Plan and the associated Budget Strategy.</p>
<b>Equalities Impact Assessment</b>	Not Required

<b>Related Decisions</b>	<p>Approval of Treasury Management Strategy Statement and Investment Strategy 2014/15 to 2016/17 by Council on 27<sup>th</sup> February 2014.</p> <p>Adoption of CIPFA Treasury Management Code of Practice by Council on 19<sup>th</sup> February 2004; revised Code adopted by Council on 25<sup>th</sup> February 2010</p>
<b>Background Documents</b>	None
<b>Appendices</b>	<b>Appendix 'A'</b> - Annual Treasury Management Review for 2014/15

<b>Performance Management Follow Up</b>	<p>Investment performance is monitored on a monthly basis and reported informally to the Leader of the Council within the Key Variance Report. The annual strategy, mid-year performance report and annual report are considered by the Audit Committee (formerly the Audit and Scrutiny Committee) and approved by Council.</p>
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<b>Options for Joint Working</b>	<p>The contract for the Council's Treasury Management Advisers was jointly procured.</p>
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<b>Background</b>	<ol style="list-style-type: none"> <li>1. The CIPFA Treasury Management Code of Practice requires the submission to Council of an annual report on the treasury management activities and results for the previous financial year. The Annual Treasury Management Review for 2014/15 is attached at <b>Appendix A</b>.</li> <li>2. The Council maintained an average balance of £25.716m of internally managed funds during 2014/15. The internally managed funds earned an average rate of return of 0.7%. The comparable performance indicator is the average 3 month LIBID rate, which was 0.43%.</li> <li>3. The Council budgeted for £170,750 investment interest for 2014/15, but made an actual return of £180,043, i.e. a surplus of £9,293.</li> <li>4. The Council also budgeted for interest from long-term loans and finance leases of £8,000. During the year, a long-term loan was redeemed and the Council received interest in lieu of the early redemption. This, together with other interest income from the Local Authority Mortgage Scheme and Ubico Ltd finance leases, provided an additional surplus of £119,636. Overall interest receipts exceeded budget by £128,929.</li> </ol>
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5. The Council's investment in the Icelandic Bank Glitnir, although repaid in full, was not fully repatriated to this country, as a proportion of the funds were paid in ISK currency and are held in an escrow account earning 4%. Until recently, there were currency restrictions in place which meant that this money could not be released back to the UK. The restrictions have recently been lifted; however, a tax will be applied to any currency repatriated to the UK. An adjustment of £30,728 has been made for exchange rate losses applicable to 2014/15. In July, the Cabinet will consider a recommendation that a further provision of £150,000 is made within the 2014/15 accounts to cover potential exchange rate losses, taxation or discounted costs to retrieve the funds at the earliest opportunity. Officers have used experience from recent currency auctions to determine a prudent level of provision for exchange losses. When the additional provision is recognised, the overall position against budget is an under-achievement of £51,799.

6. Further detail is contained within the attached annual report.

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